



Minutes of the Employment Advisory Council Meeting
Department of Workforce Services – Virtual Meeting
August 12, 2021 – 2:30 p.m.

Council Members Present:	Greg Diven	Employer Representative, OCM, Inc.
	Richard Thorn	Employer Representative, Assoc. of General Contractors
	David Davis	Employer Representative, Utah Retail Merchants Association
	Todd Bingham	Employer Representative, Utah Manufacturers Assn.
	Jeff Worthington	Employee Representative, Utah State AFL-CIO
	Melisa Stark	Employee Representative, DWS
	Sheila Oelerich	Employee Representative, DWS
	Kelly Thornton	Employee Representative, DWS
	Kevin Shingleton	Public Representative - Present
	Brian Somers	Employer Representative, Utah Mining Association
	Steve Van Valkenburg	Employer Representative, Employer Advocates, LLC
	Tony Montano	Employee Representative, Utah State AFL-CIO
Council Members Excused:	Dan Peay	Employee Representative, United Steelworkers, AFL-CIO
	Ryan Mecham	Public Representative
	Candace Daly	Public Representative
DWS Staff Present:	Kevin Burt	Assistant Deputy Director, DWS
	Justin Williams	Director, Unemployment Insurance
	Mike Miller	Chief, UI Contributions
	LeeAnn Madsen	Chief, UI Benefits
	Bradley Salmond	Program Manager, Unemployment Insurance
	Patrick Frost	Research Consultant, UI
	Jolynn Badame	CUBS Manager
	Maria Torres	Manager, Field Audit
	Blaine Cook	Program Specialist, UI
	Roman Rubalcava	Manager, UI Collections
	Lisa Medina	Unemployment Insurance, Minutes

Agenda Item	Discussion
Welcome and Opening Business	Mr. Williams welcomed the group. He stated there are currently two Public Representative vacancies. Jan Zogmaister was not able to commit to another term. He recognized Todd Bingham for committing to serve another four years. Suggestions can be sent directly to Justin Williams.
Approval of Minutes	Mr. Williams called for approval of the May 13, 2021 meeting Minutes. Mr. Bingham motioned to approve the Minutes as written, Mr. Davis seconded the motion and the motion carried.
UI Trust Fund	<p>Mr. Williams referred to the following:</p> <p>State Trust Fund Solvency (Attachment A)</p> <ul style="list-style-type: none"> ○ This information is provided by the Department of Labor (DOL); ○ The Average High Cost Multiple is the length of time a State would be able to pay out benefits at the highest rate, if no additional contributions were collected, for one year; <ul style="list-style-type: none"> ○ Earlier this year, Utah was slightly below the Average High Cost Multiple. <p>UI Trust Fund Balance Projections (Attachment B)</p> <ul style="list-style-type: none"> ○ Utah's economy is getting stronger but that also means, there are more people to insure; ○ The June 2021 Trust Fund Balance is low; currently sitting at about \$795M; ○ The projections indicate Utah won't be in an acceptable range until 2026, 2027 or 2028; <p>UI Trust Fund Reserve Factor and Social Cost Calculation (Attachment C)</p> <ul style="list-style-type: none"> ○ The Tax Rate for last year was locked in at 1.05 for the Reserve Factor and 0.002 for the Social Cost; ○ Next year, employers should expect a distinct increase for both the Reserve Factor and the Social Cost. This increase looks dramatic but it is the way Utah's formula is designed, which is to react and correct itself after an economic downturn; <ul style="list-style-type: none"> ○ Mr. Davis stated the Council understands how the formula works and its' intentions. It appears the Reserve Factor is jumping 15 basis points. What does that mean for employers? Mr. Williams responded it is increasing as many people, not related to the pandemic, and unrelated to the Social Cost, became unemployed. This was no fault of either the claimant or the employer; ○ In 2020, \$600M was paid out of the Trust Fund in UI benefits; <ul style="list-style-type: none"> ▪ In 2020, 25% of employers were given a write-off of their Social Cost, due to the pandemic.

- Mr. Diven referred to the June 2022 projection of the Reserve Factor. He assumes this means Utah is projecting it will decrease again. He wants to know if this is realistic. Mr. Williams responded this is only a projection but with Utah's rapid recovery, it is possible;
- Mr. Davis expressed concern that some employers, regardless of their experience rating or Social Cost, will be paying double what they are currently paying. Mr. Williams responded this is a possibility.
 - The Legislature capped rates so employers would not see this increase this year;
- Employer Rate notices go out at the end of each year.

Contributions vs Benefits Paid (Attachment D)

- UI Taxes collected is increasing while Benefits Paid is decreasing.

Employer Contribution Rates – Calendar Year 2020 (Attachment E)

- Utah is currently at .41% of Taxable Wages with .23% of Total Wages.
 - Projected 2021 - .51% Taxable Wages with .28% of Total Wages
 - Projected 2022 - .86% Taxable Wages with .49% of Total Wages

Summary of State Contribution Levels – Chart 1 (Attachment F)

- Utah's Tax Amount Per Covered Employee is \$106, the U.S. Average is \$277.
 - Utah is the 8th lowest in the U.S.

Summary of State Contribution Levels – Chart 2 (Attachment G)

- The majority of states with an Average Tax Rate above a Minimum Adequate Financing Rate did not go insolvent, with the exception of Hawaii and Nevada, most likely due to their dependence on tourism;
- The majority of states with an Average Tax Rate below a Minimum Adequate Financing Rate went insolvent;
- The reason Utah has its' funding structure designed to rapidly react and recover is that we don't want to be one of the states that are forced to find alternative sources to cover the bills, such as borrowing from the Federal Government;
 - Borrowing from the Feds includes an aggressive interest rate which needs to be repaid. This cost eventually gets pushed down to employers.

Mr. Davis stated we've been through this before. Are there any tools the Department can provide to help communicate to employers what this means and what to expect in terms of increases per employee? Mr. Williams replied UI staff are having conversations and building strategies on how to communicate this best to employers.

Legislative
Update

Kevin Burt, Legislative Affairs Specialist, reported the following:

The pandemic demand was immediate and quick. This is why the model reacted so quickly to replenish the Fund. One of the ways Utah tried to minimize this, was to shift it to Social Cost for individuals who were unemployed related to the pandemic spreading it across all employers;

- Previously, only 80% of employers were impacted by the Social Cost. Utah was able to maintain this well, given the strategy used applying pandemic unemployment to that Social Cost. Last year, the rate was locked, as it was projected to increase. What do we do for the 2022 Tax Rate? He referred back to Mr. Davis' question, on how much are we projecting on cost?
 - The first \$38,900 paid to an employee is subject to unemployment tax. Anything beyond that, isn't taxed. For example, if an employer pays an employee \$100K, they will only be taxed the first \$38,000 of wages. The current Reserve Factor is at $.002 \times \$38,900 = \77.80 .
 - Currently, if an employer is only subject to the Reserve Factor, they would pay \$77.80 per employee, per year. Based on current projections, if the Social Cost increases to .004, this would increase to \$155.60 per employee, per year. This applies to the majority of employers. Each employer has their own individual tax rate.
 - Employers can expect to pay 15% more than they did last year if the Reserve Factor increases to 1.20.

Mr. Davis stated this is extremely helpful and he feels it is important to understand by keeping those costs and not moving employers into the Reserve Factor pool, it saves them money in the upcoming year. The Social Costs are doubling, but had they been kicked over, as a result of the pandemic, into the 20% pool, they would be paying more.

- Mr. Burt stated the employers that were shifted to Social Cost were those hit heavily by the pandemic and have the slowest economic recovery, i.e., hospitality, and restaurants.

Mr. Burt added the states that went insolvent will not only see a State Tax Rate increase, but a Federal Tax Rate increase. Funds borrowed from the Feds must be paid back. So, states not only have to replenish their Trust Fund, which went insolvent, they have to pay back the Feds.

During the latest special session, the Legislative body set aside \$100M in American Rescue Plan Act (ARPA) funds, which will be deposited into the Trust Fund. This is great news for Utah. The question is, with these unexpected funds, do we lock in the rate again?

	<ul style="list-style-type: none"> ○ There will most likely be a special legislative session in the Fall. This is when Utah will present its' case whether to lock the rates or not. <p>Mr. Davis asked what would the formula do if we added the \$100M into the spreadsheet. He continued he is a big believer in the formula.</p> <ul style="list-style-type: none"> ○ Mr. Burt responded the graphs presented today do not include the \$100M which is expected but not actually received yet; ○ Patrick Frost reported, using this scenario, the Reserve Factor would decrease from 1.20 to 1.15 and the Social Cost would decrease from .004 to .003; <ul style="list-style-type: none"> ▪ Mr. Davis added there is a compelling interest to add this money to the Social Cost side; ▪ Mr. Burt stated more details will be communicated at the December meeting. <p>Mr. Diven stated UI is doing a balancing act. He thanked Mr. Burt and Mr. Williams for presenting something that works yet with the flexibility to change.</p> <p>Mr. Burt added one of the reasons we have been able to keep Utah's Trust Fund solvent is that fraud was kept under control. This is due to the efficiency of UI staff.</p>
Next Meeting	December 2, 2021
Adjourn	Mr. Davis motioned to adjourn the meeting at 3:33 p.m., Mr. Bingham seconded the motion, all were in favor and the motion carried.